



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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December 31, 2003

CERTIFIED RETURN RECEIPT

7099 3400 0016 8896 3151

William R. Wilson
Basin Perlite Company
2160 Republic Plaza
370 Seventeenth Street
Denver, Colorado 80202

Subject: Supplemental Reclamation Surety Proposal, Basin Perlite Company, Inc., Pearl Queen Mine, M/001/027, Beaver County, Utah

Dear Mr. Wilson:

As you know, on November 25, 2003, the Division received a cancellation notice from Kemper Insurance Companies/American Manufacturers Mutual Insurance Company regarding the \$133,600 American Manufacturers Mutual Insurance Company surety bond [REDACTED] pledged for reclamation of the Pearl Queen Mine. The effective cancellation date is February 26, 2004.

By letter dated November 14, 2003, the Division accepted a Pledge and Reclamation Agreement to supplement this surety bond which had fallen below the Division's minimum (A-), A.M. Best qualification standards. Under the conditions of the Pledge and Reclamation Agreement, the surety bond would remain in place until the full amount of supplemental reclamation surety was funded.

On December 18, 2003, you faxed a letter to this office outlining a proposal for supplementing the Pledge and Reclamation Agreement. We have evaluated your proposal and offer the following comments:

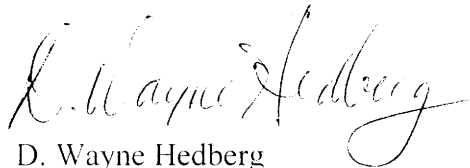
1. A partial increase in the current reclamation surety amount cannot be accepted as proposed, unless it can be demonstrated to be sufficient to cover the estimated reclamation costs for all current mining-related disturbances, including a 12-month buffer.

William R. Wilson
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2. Consideration of an amount less than what is required to reclaim the current site conditions would be categorized as a self-bonding proposal, thereby requiring formal submittal to and approval from the Board of Oil, Gas and Mining.
3. Full reclamation bonding at the calculated \$133,600 amount would be acceptable to the Division.

Please let us know by January 30, 2004, which option is the most feasible, or if we need to meet again to discuss this matter further. Thank you for your continued cooperation. If you have any questions or concerns regarding this letter, please contact me at (801) 538-5286, or email me at: waynehedberg@utah.gov.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program